



LGIP QUARTERLY MEETING & CONFERENCE CALL

2.1.2011

**OFFICE OF THE ARIZONA STATE TREASURER
DOUG DUCEY**



AGENDA: 2.1.2011

- Earnings
- LGIP Performance
- Endowment Performance
- Arizona Economic Update
- Economic Presentation: Joseph Quinlan, Bank of America US Trust
- Q & A



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



EARNINGS

YTD FY 2011 Earnings Distributed

\$27,559,656



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY





LGIP PERFORMANCE

2nd Quarter and FY 2011 YTD



Investment Philosophy Remains

SAFETY

before

LIQUIDITY

before

YIELD



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



LGIP POOL 5

- \$1.63 Billion Assets as of 12/31/2010
- Net Asset Value - \$.9998 12/31/2010
- Diversified investments weighted to highly rated Commercial Paper first, Repurchase agreements second, and Agency/Treasuries third
- Emphasize securities with 90 day or less maturities
- Keep daily liquidity in the 10-30% range
- Maintain the highest rating possible from S&P



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY

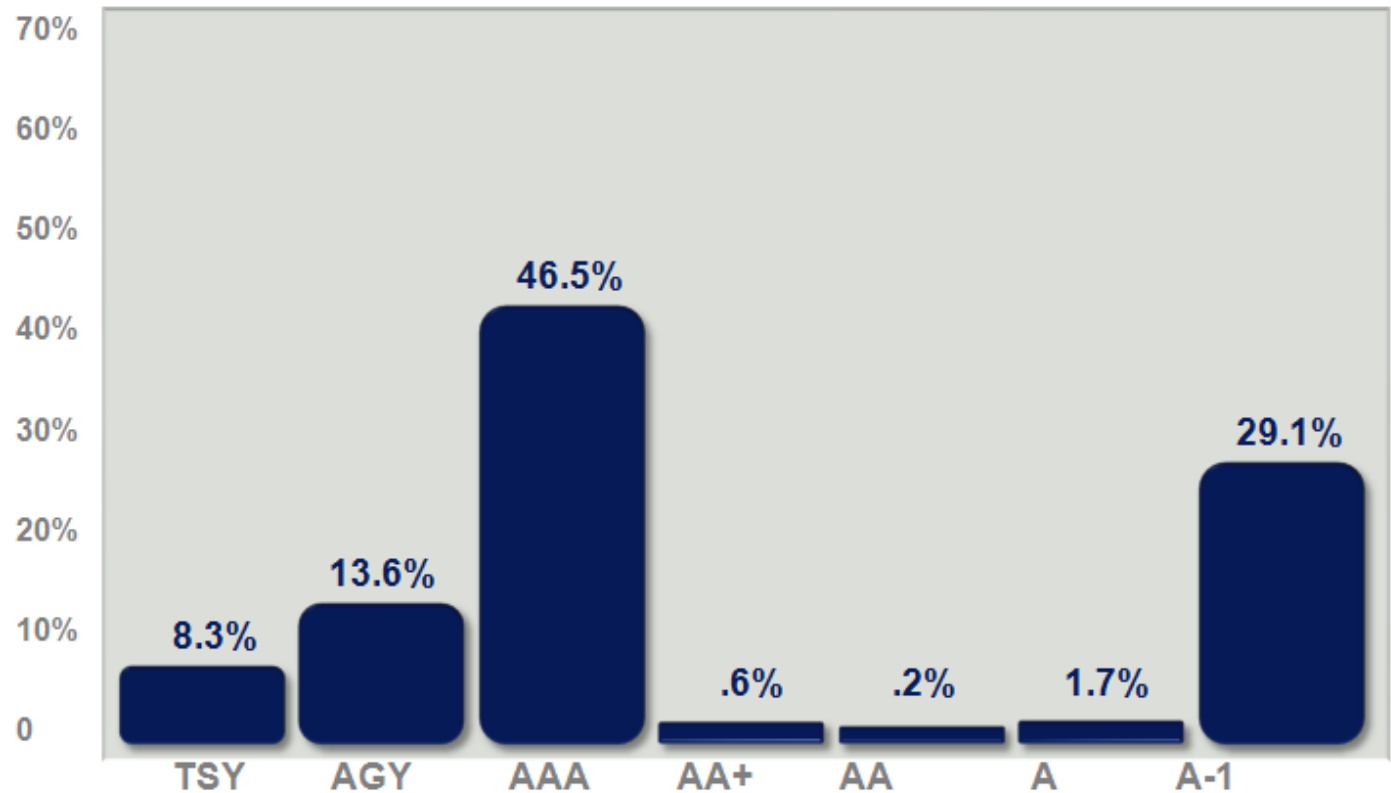


POOL 5: SAFETY

Continues to receive highest rating from Standard & Poor's:
AAAf/S1+



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY

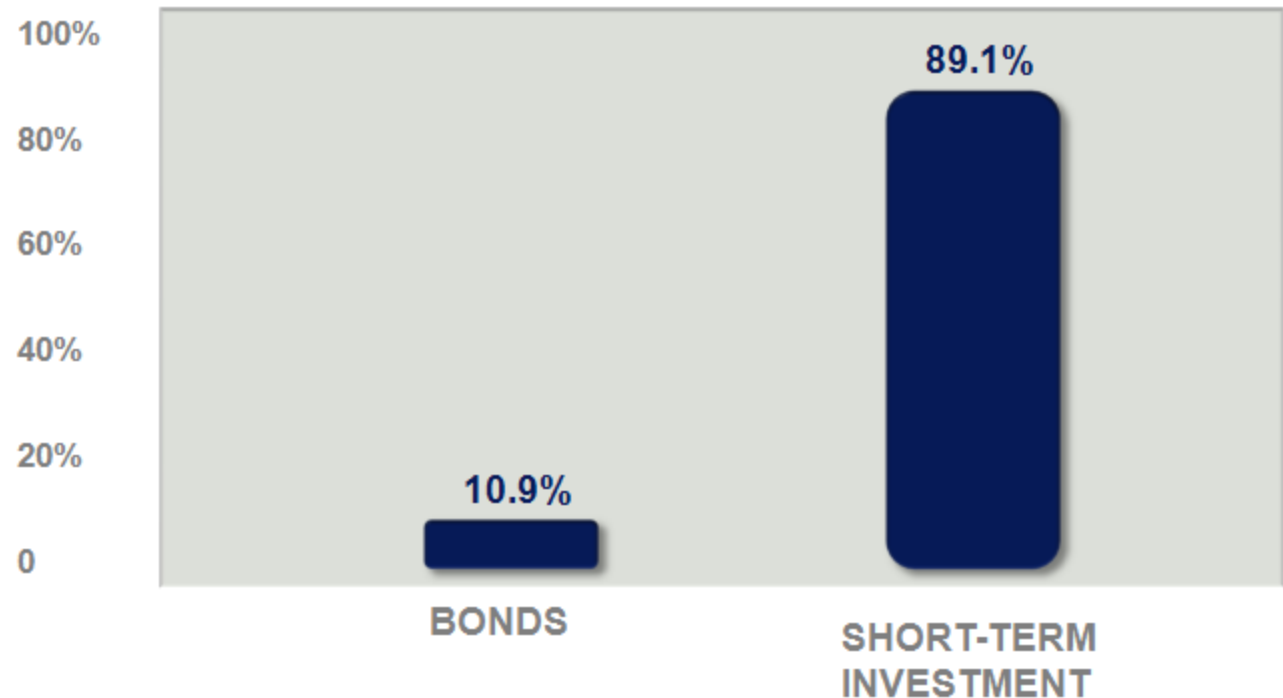


POOL 5: LIQUIDITY

Weighted Average Maturity: 20 days on 12/31/2010

DURATION: 100% from 0-1 yrs

ASSET MIX:



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



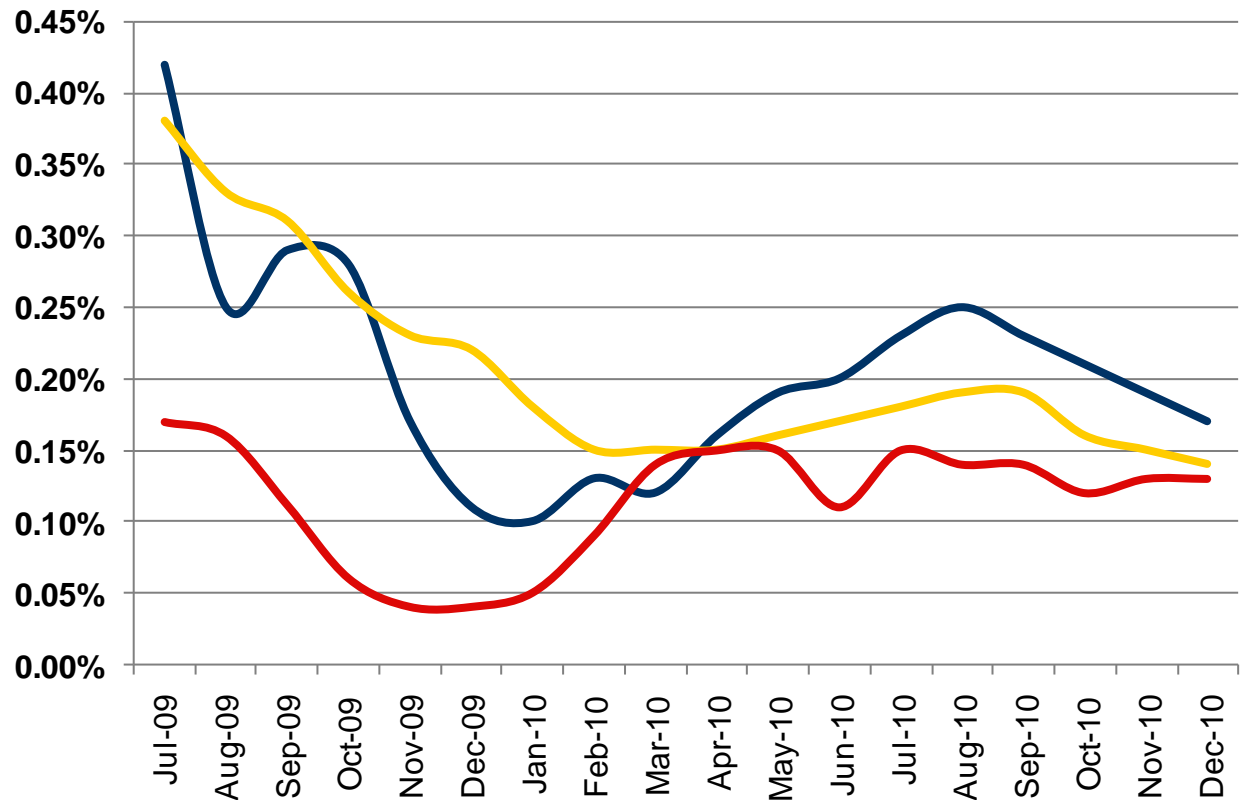
POOL 5: YIELD

.21% YTD

.17% YTD (S&P LGIP Index)



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



— Pool 5 (LGIP)

— S&P LGIP Index

— 3 Month Tbill

LGIP POOL 7

- \$1.97 Billion Assets as of 12/31/2010
- Net Asset Value - \$1.000 12/31/2010
- Invest in highest yield Full Faith and Credit product each day
- Emphasize securities with 90 day or less maturities
- Keep daily liquidity in the 10-75% range



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY

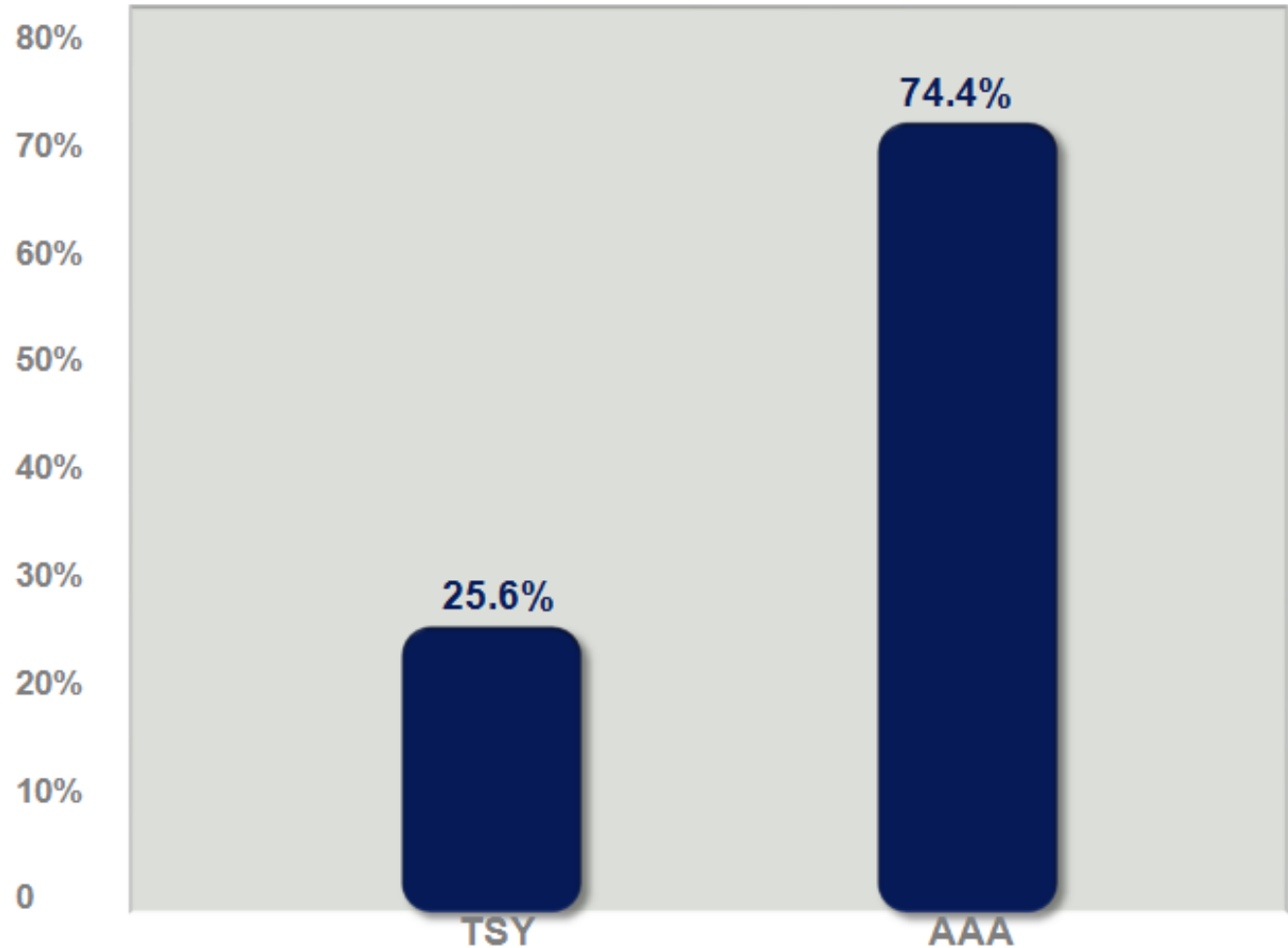


POOL 7: SAFETY

AAA Weighted Average Rating



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY

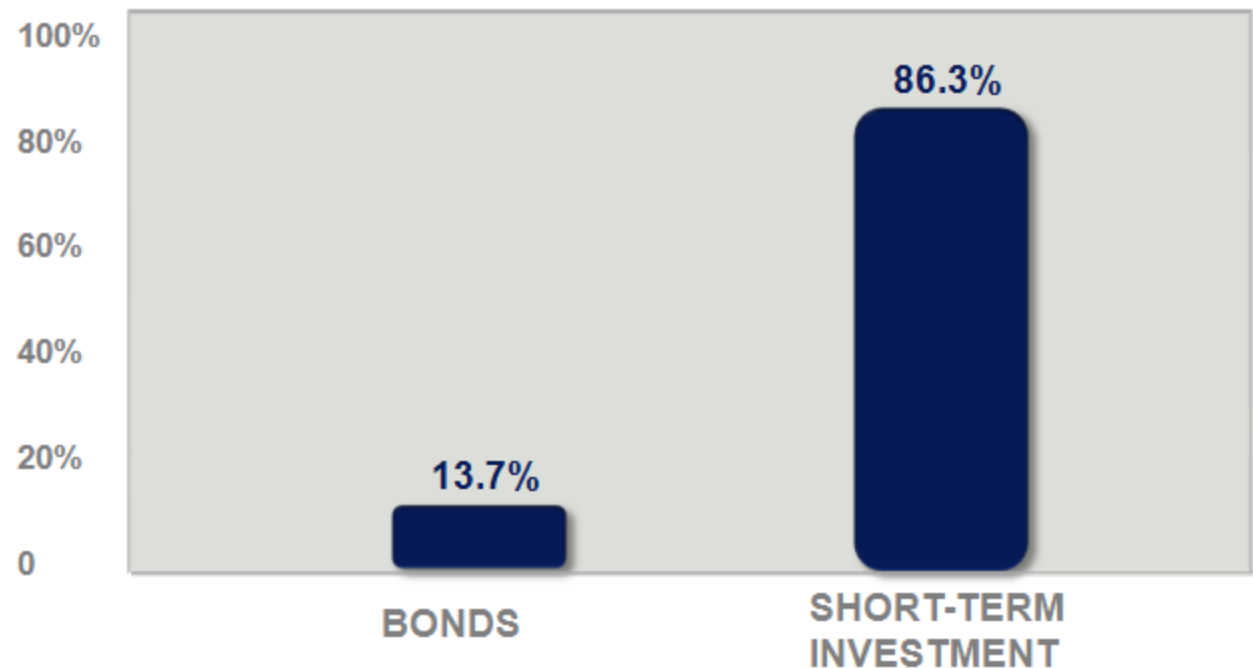


POOL 7: LIQUIDITY

Weighted Average Maturity: 30 days on 12/31/2010

DURATION: 100% from 0-1 yrs

ASSET MIX:



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



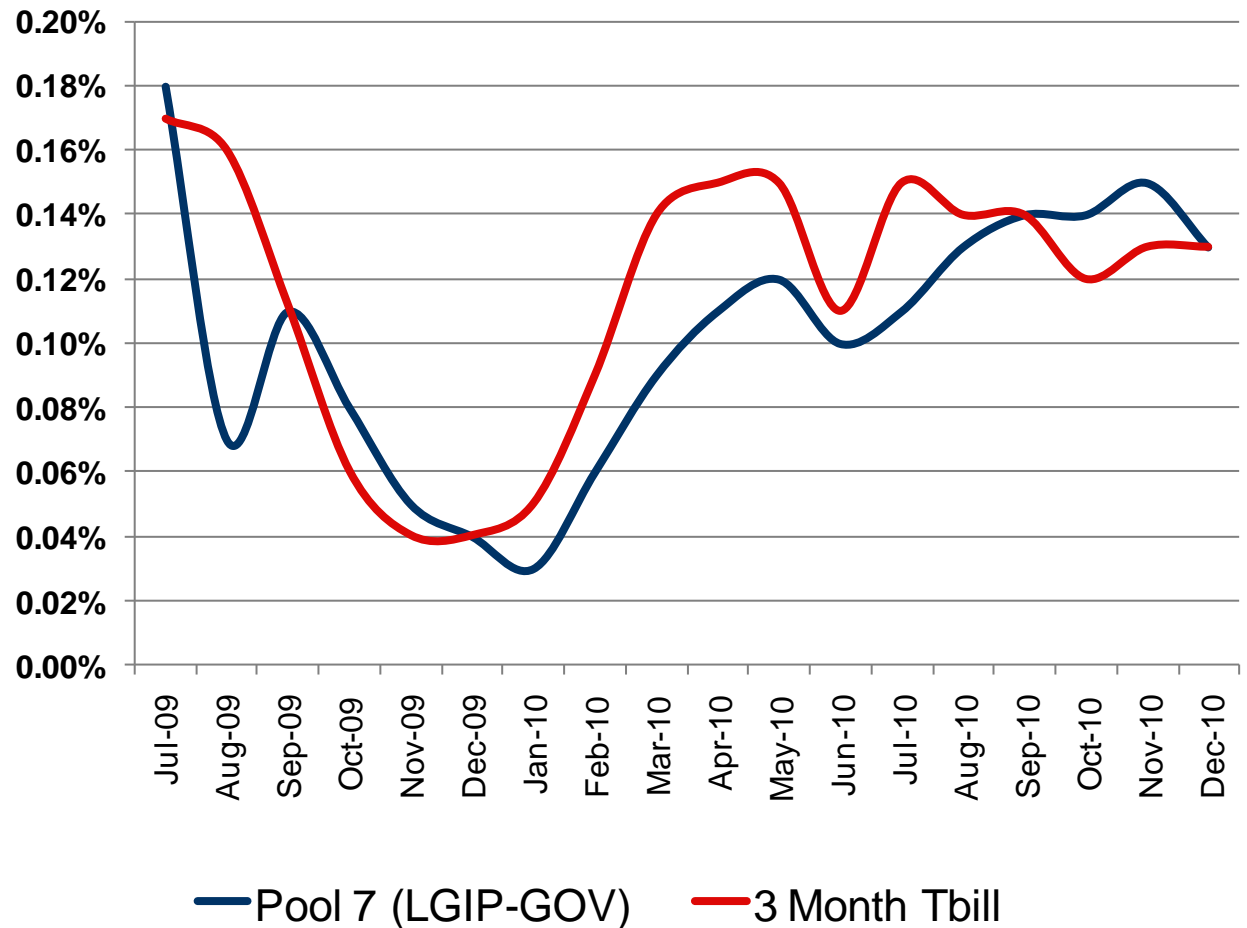
POOL 7: YIELD

.13% YTD

.14% YTD (90 DAY T BILL)



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



LGIP POOL 500

- \$178 million in Assets as of 12/31/2010
- Floating Net Asset Value - \$1.03 12/31/2010
- A diversified fund, contains Treasuries, Corporate Bonds, CP, Agency paper and Mortgages
- Emphasize securities with above A- ratings
- Keep duration target between 1 to 2 years with up to 30% of fund less than a year
- State Funds can now be deposited into the Fund



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY

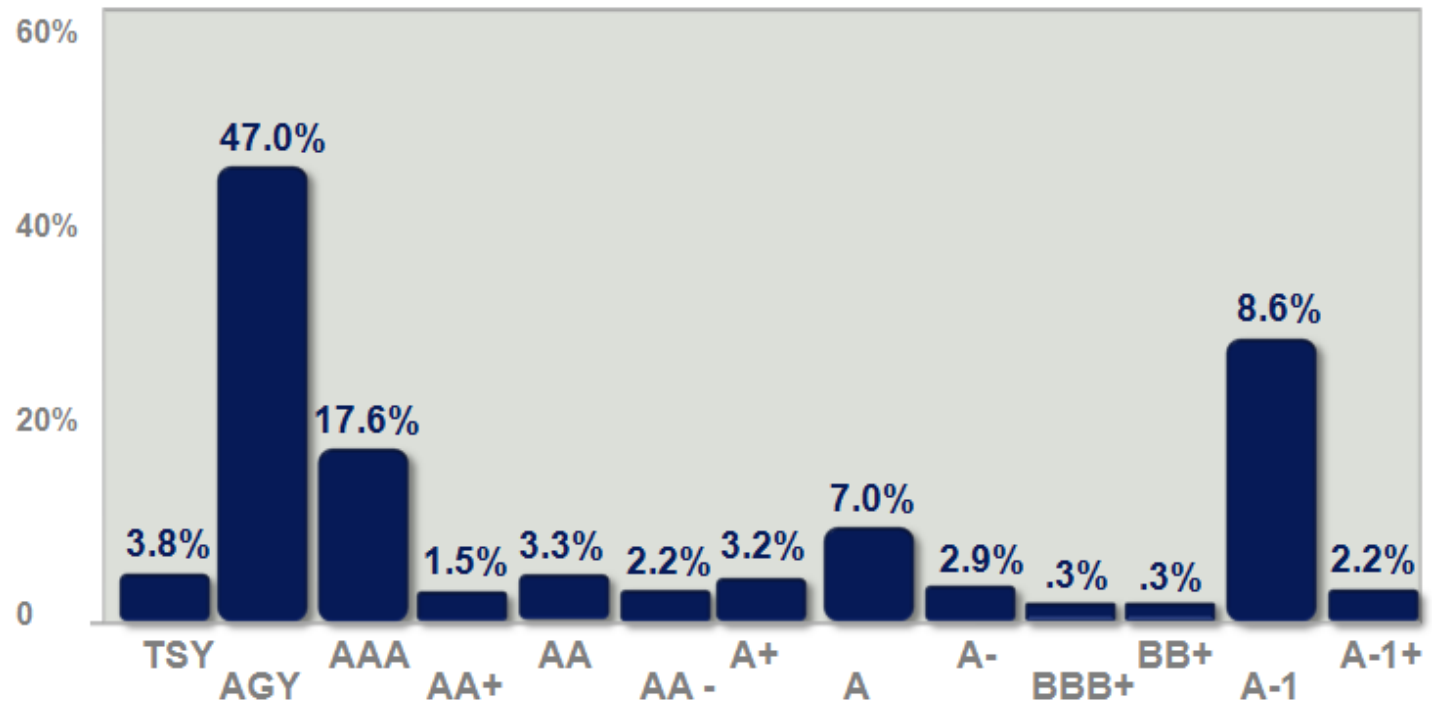


POOL 500: SAFETY

AAA Weighted Average Rating



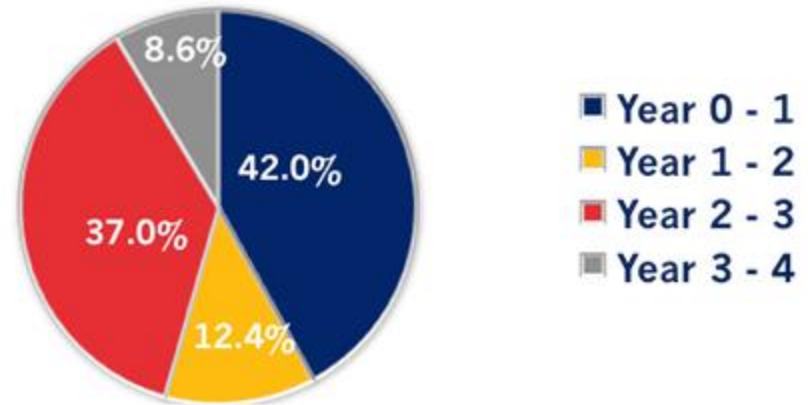
OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



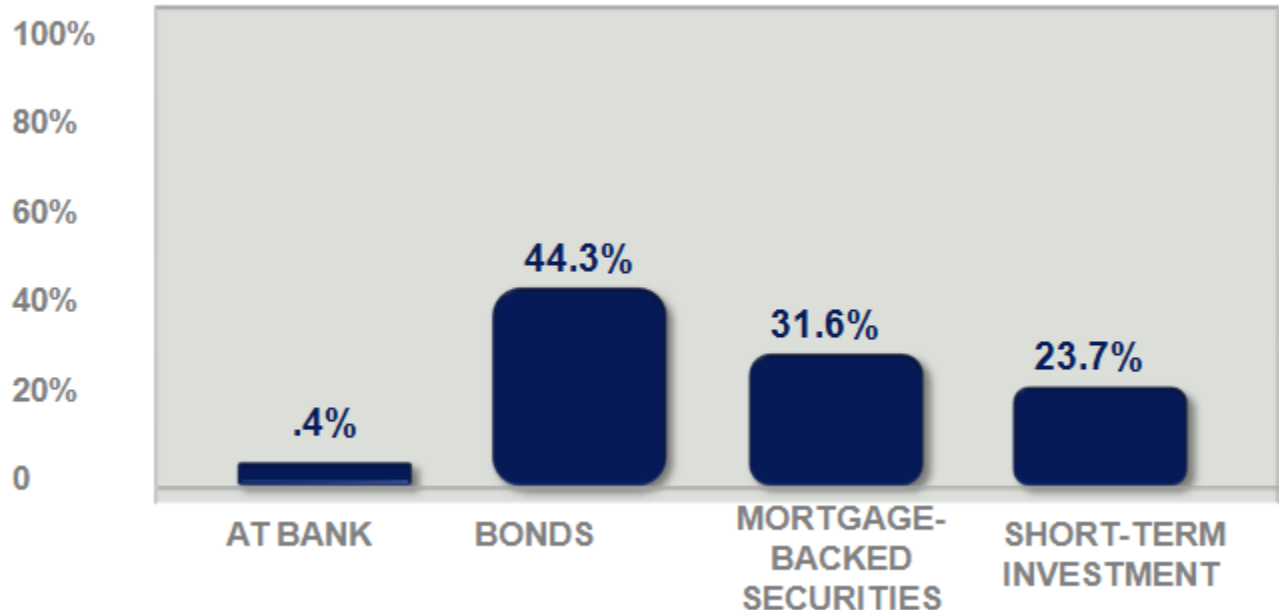
POOL 500: LIQUIDITY

Effective Duration: 1.73 years on 12/31/2010

DURATION:



ASSET MIX:



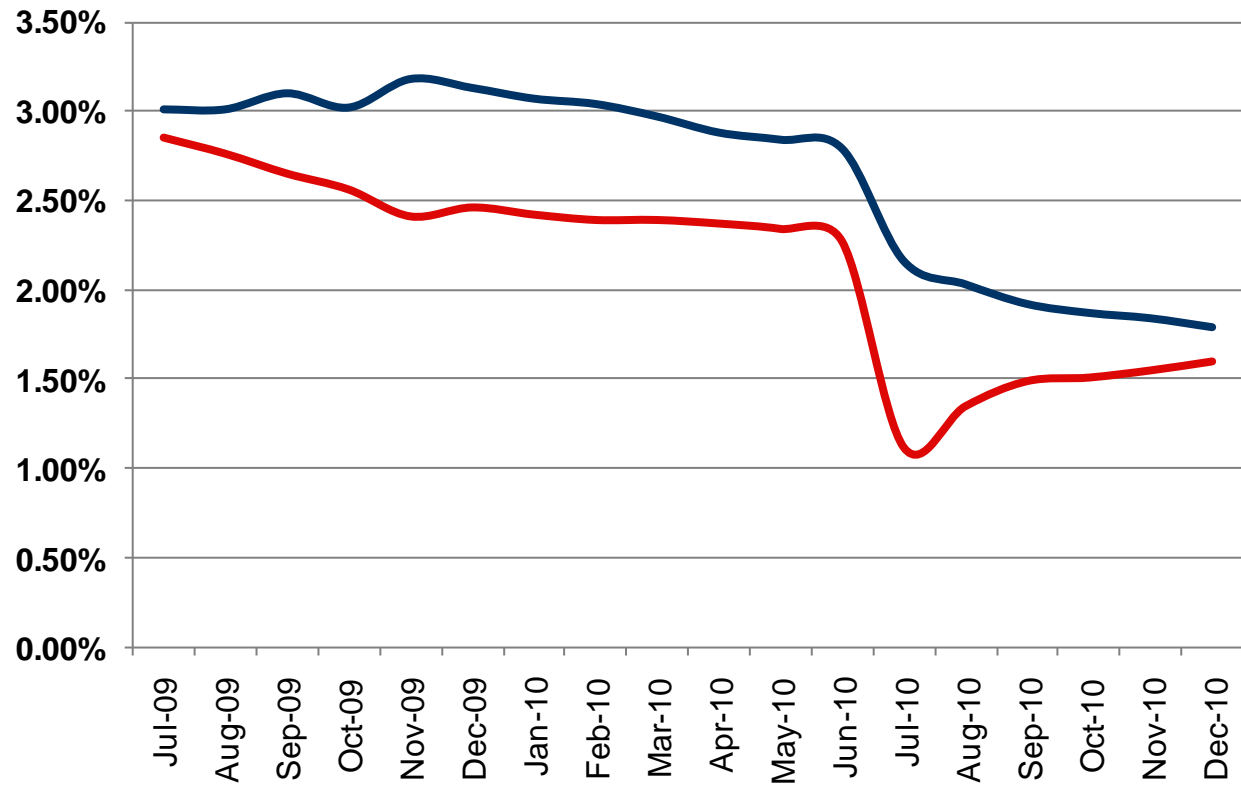
OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



POOL 500: YIELD

1.79% YTD

1.60% YTD (Index)



— YTD Pool 500 (LGIP Long-Term)

— YTD Merrill 1-5 US DM Index



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



LGIP POOL 700

- \$129.5 million in Assets as of 12/31/2010
- Floating Net Asset Value - \$1.0023 12/31/2010
- All securities are backed by US Government: Treasuries, FDIC paper, and GNMA Mortgages
- Emphasis is on 1-5 yr Treasuries – GNMA and FDIC paper for next six months
- Keep duration target between 1-2 years with 30% of fund being less than 12 months
- State Funds can now be deposited into the Fund



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY

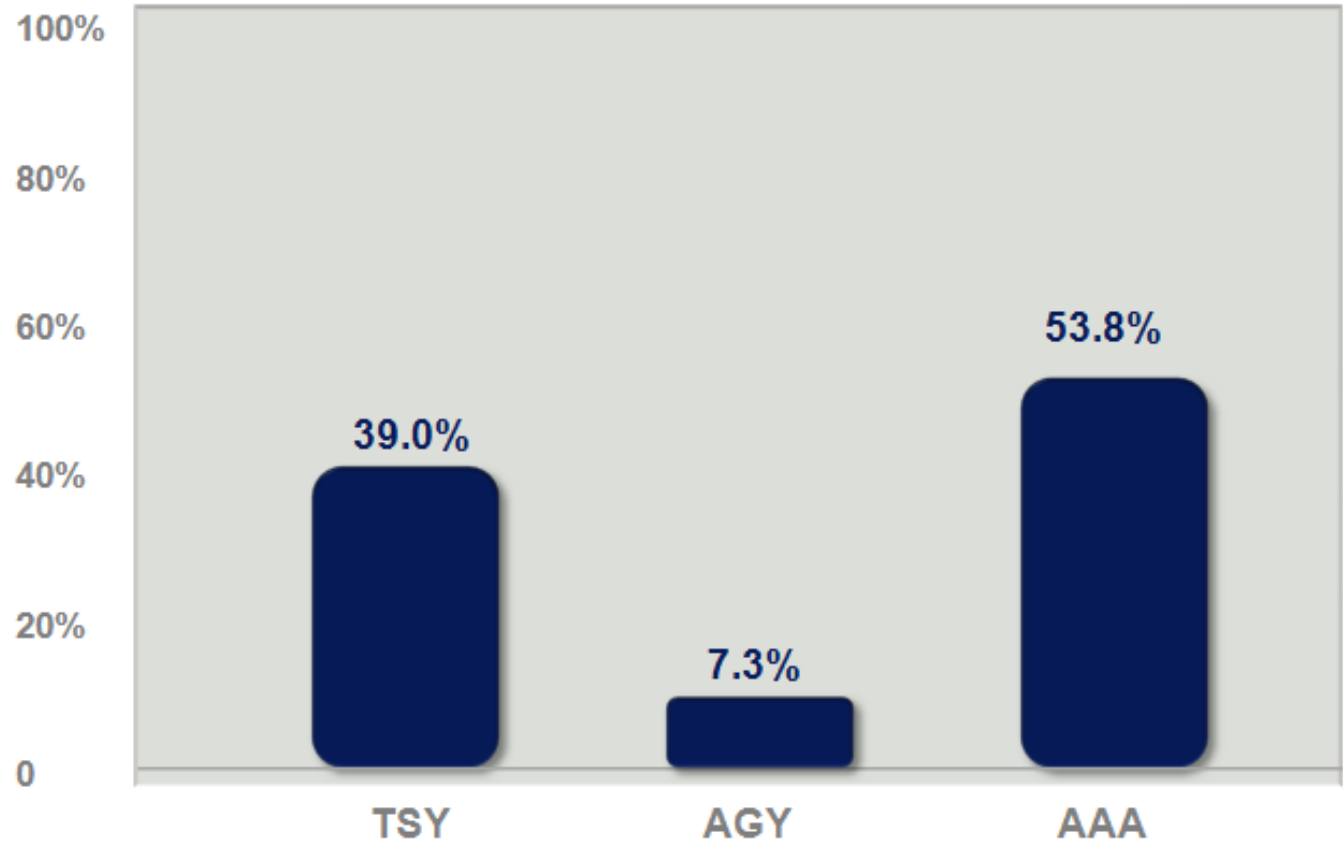


POOL 700: SAFETY

AAA Weighted Average Rating



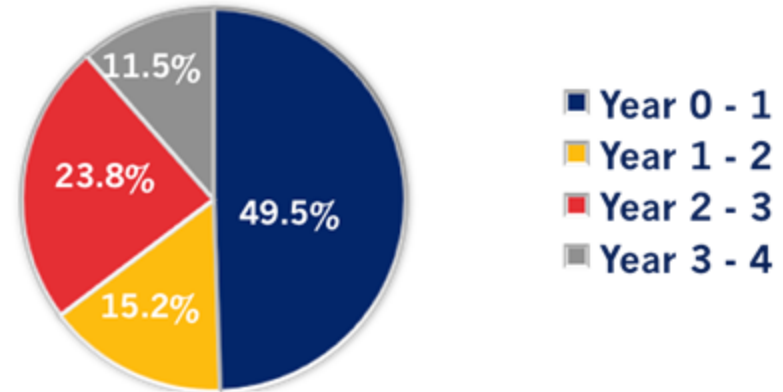
OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



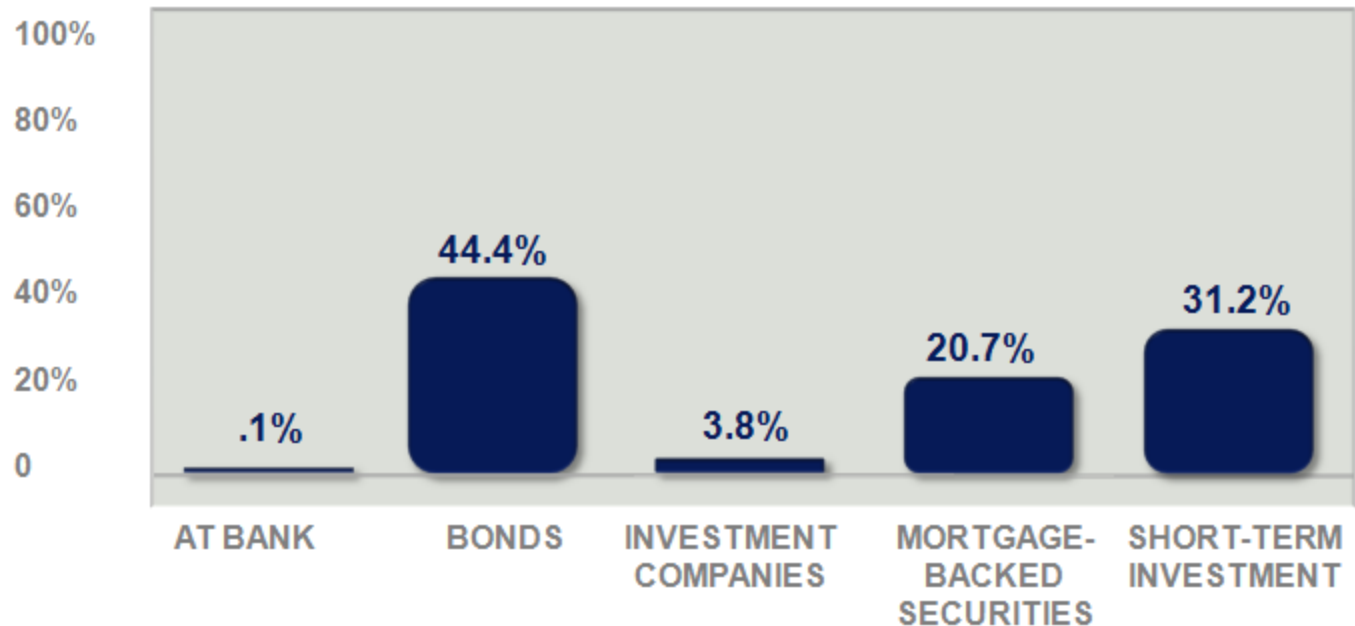
POOL 700: LIQUIDITY

Effective Duration: 1.50 years on 12/31/2010

DURATION:



ASSET MIX:

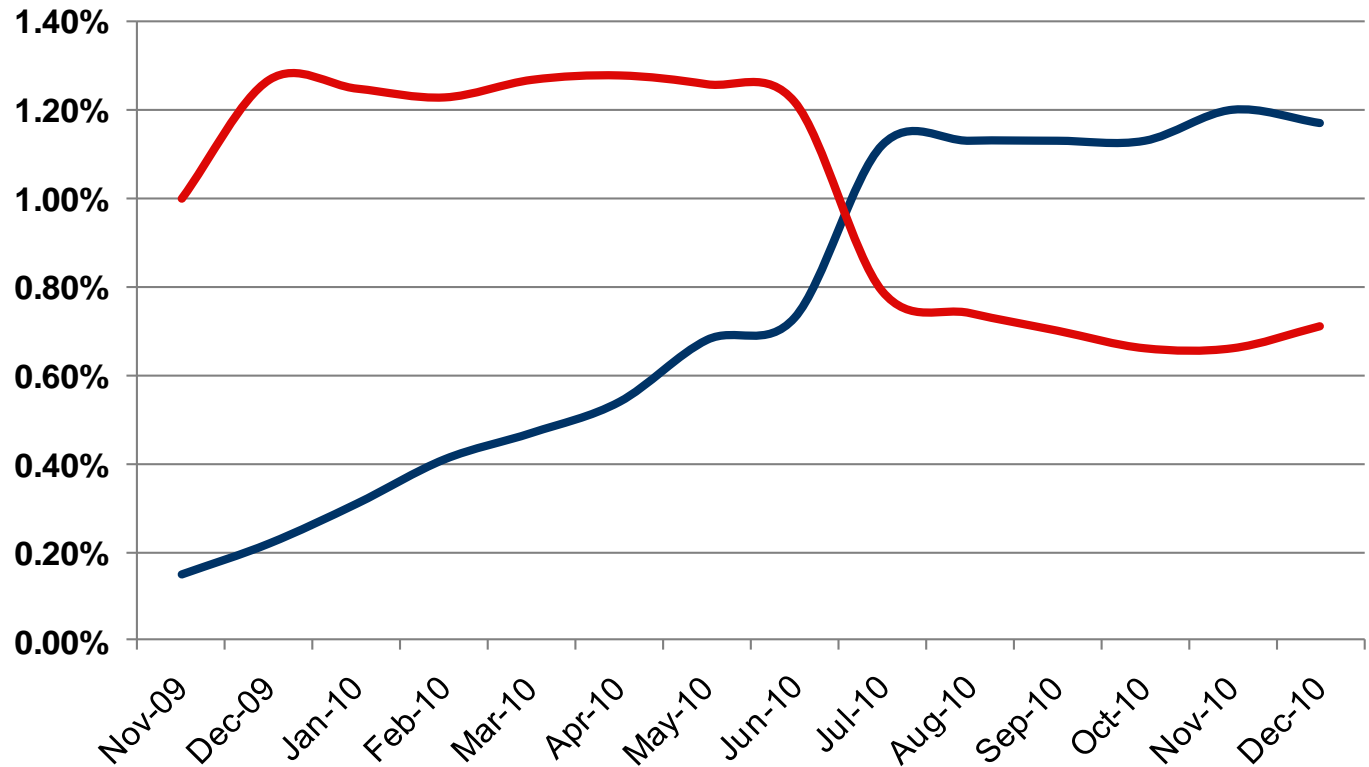


OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



POOL 700: YIELD

1.17% YTD 0.71% YTD (Index)



— YTD Pool 700 (LGIP-GOV Long-Term)
— YTD Merrill 1-5 Treas Index US Treas Index



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY





ENDOWMENT PERFORMANCE

2ND QUARTER AND FY 2011 YTD



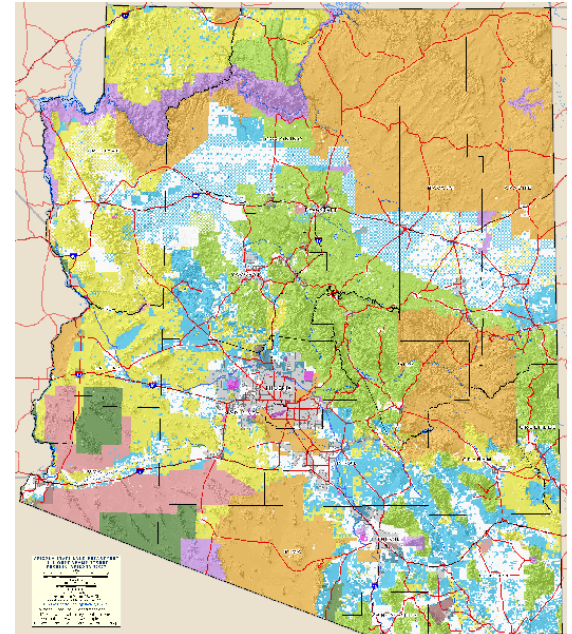
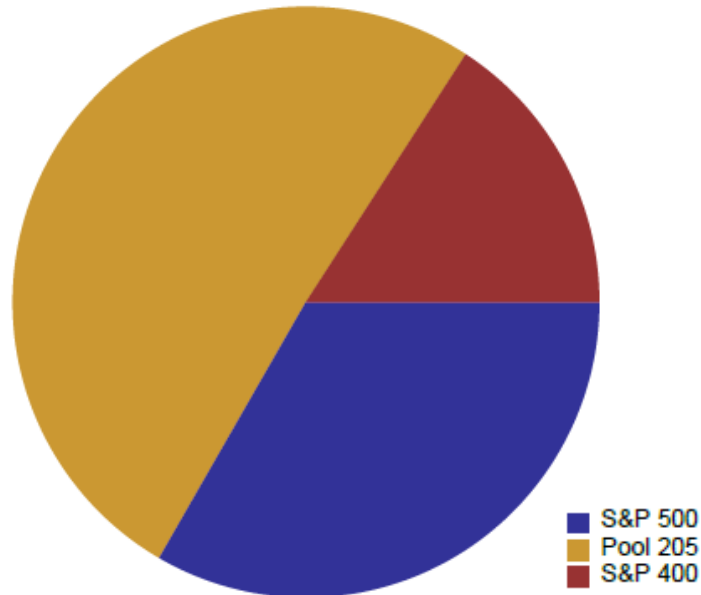
ENDOWMENT PERFORMANCE



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



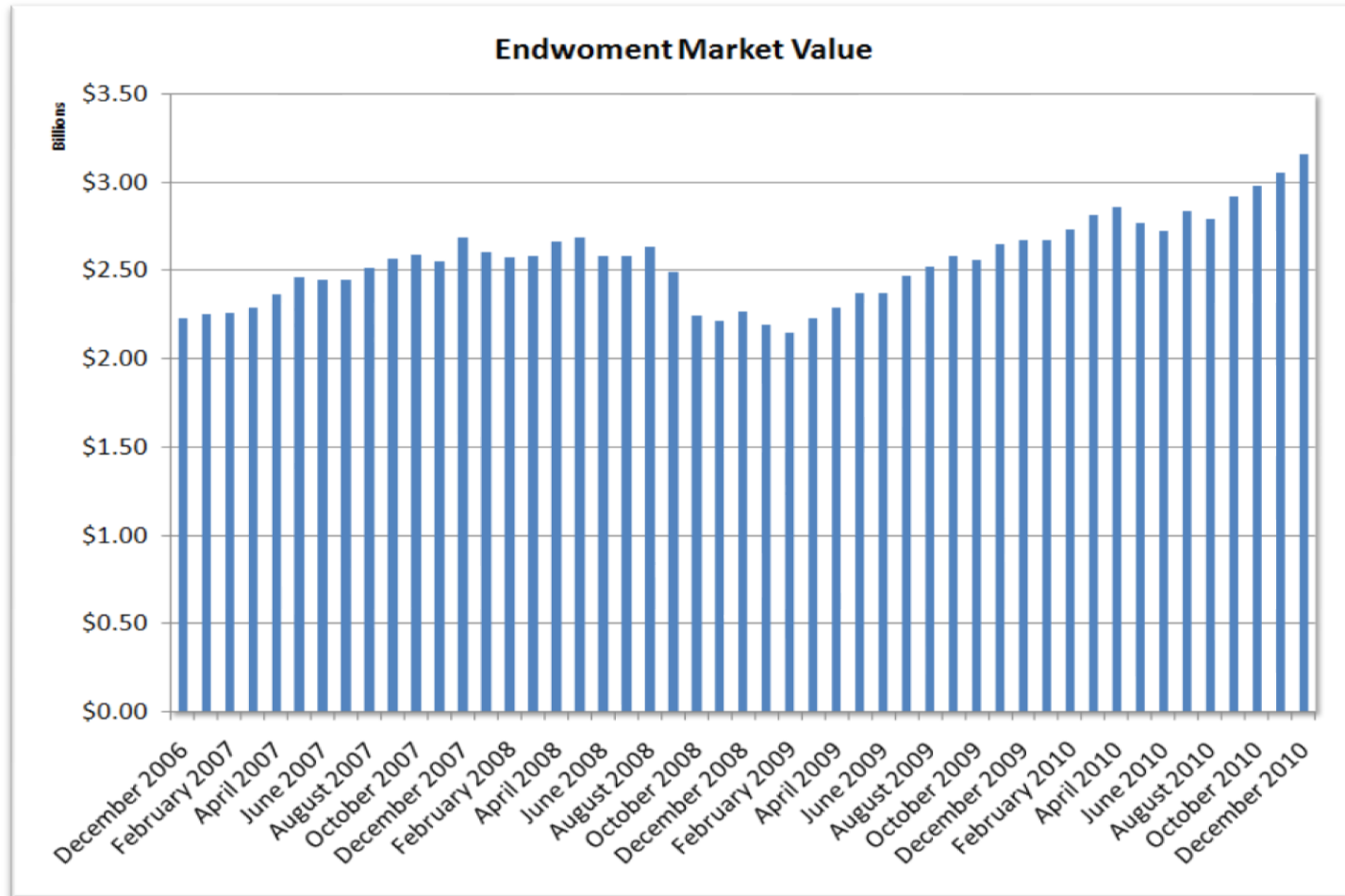
Account Name	Market Value(MIL)	Percent of Portfolio
Pool 205 (10328000)	1,600.04	50.7%
S&P 400 Pool (10327900)	502.79	15.9%
S&P 500 Pool (10327800)	1,052.42	33.4%
TOTAL	3,155.26	100.0%



ENDOWMENT MARKET VALUE



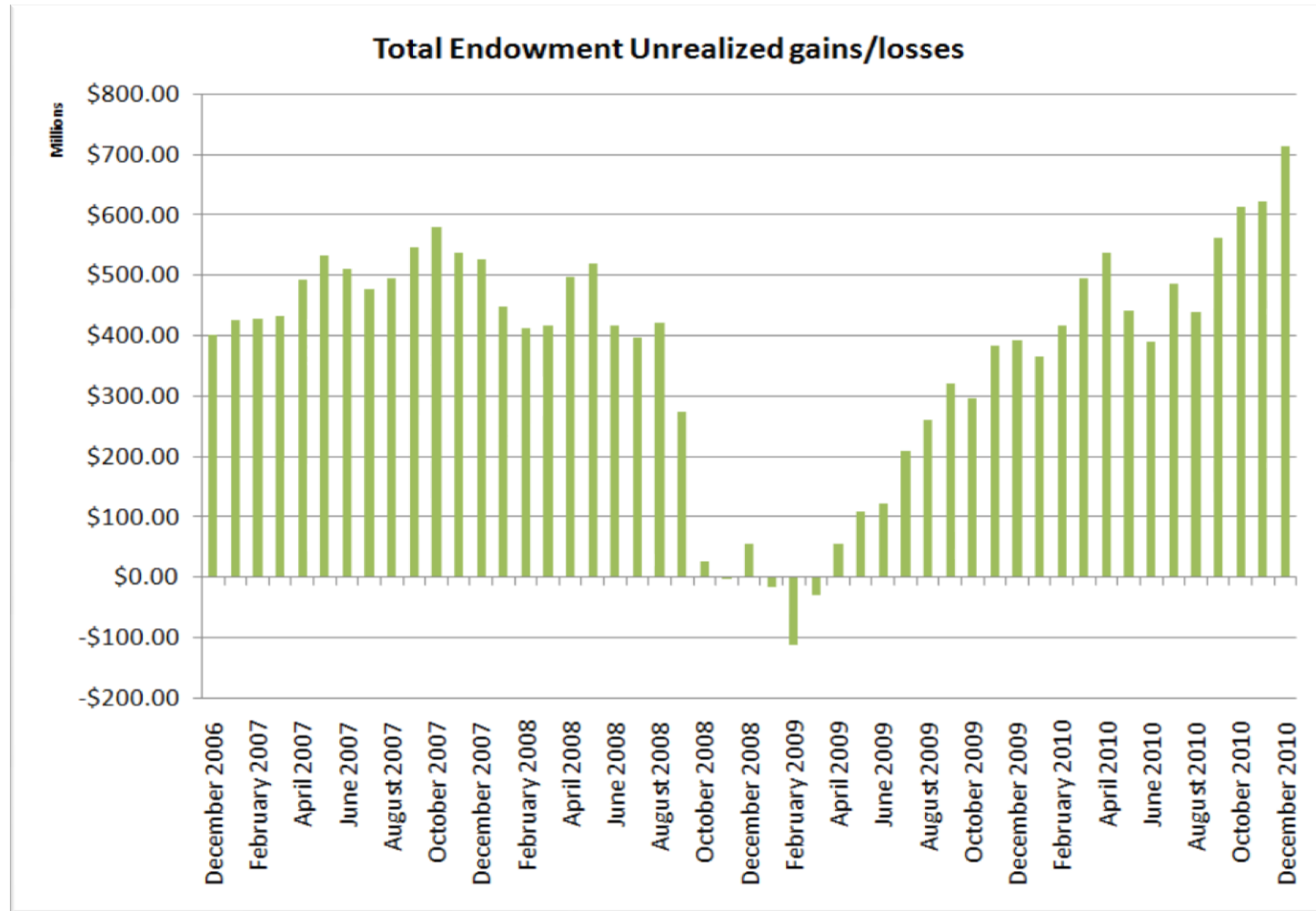
OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



ENDOWMENT UNREALIZED GAINS



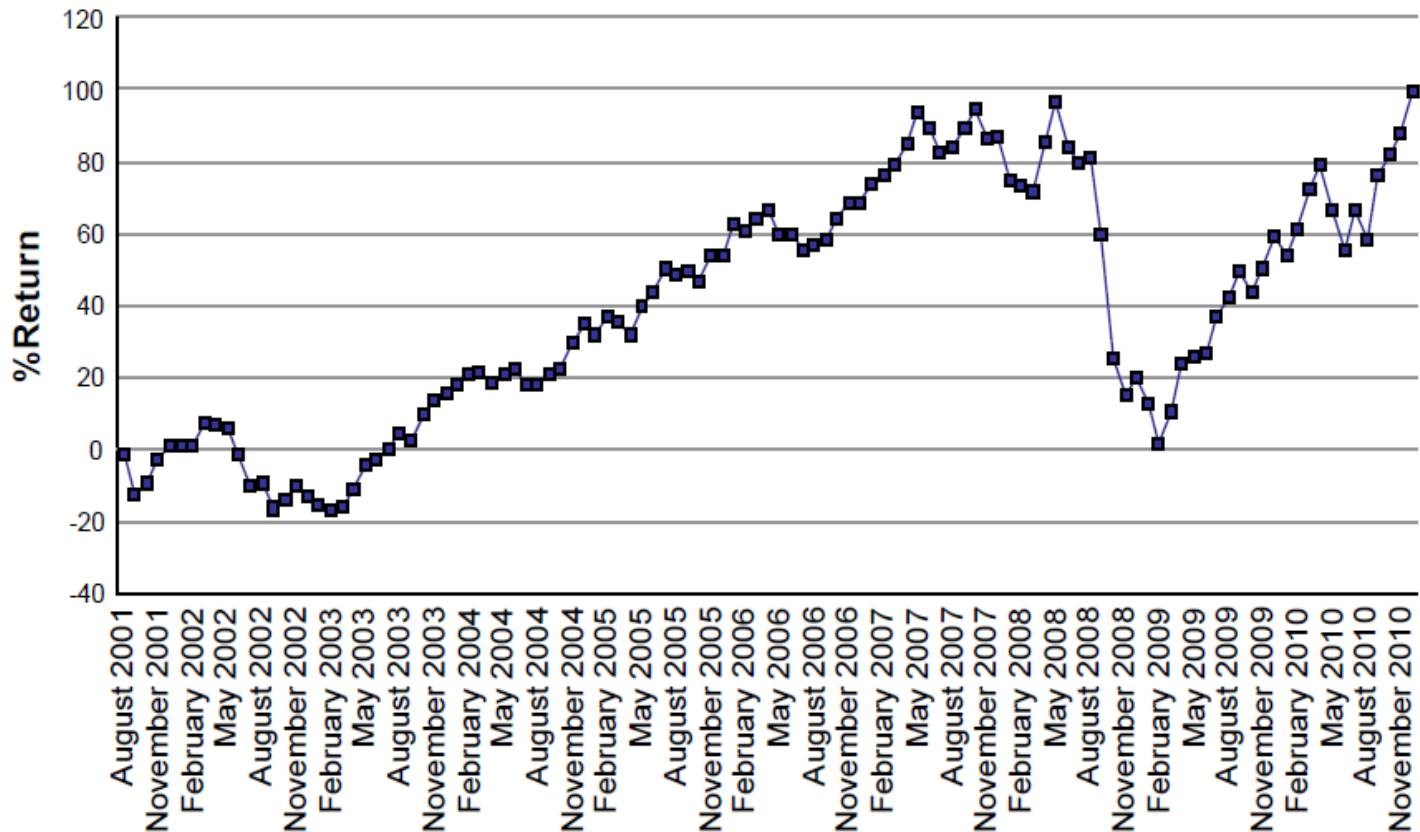
OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



ENDOWMENT PERFORMANCE: S&P 400 MID-CAP POOL



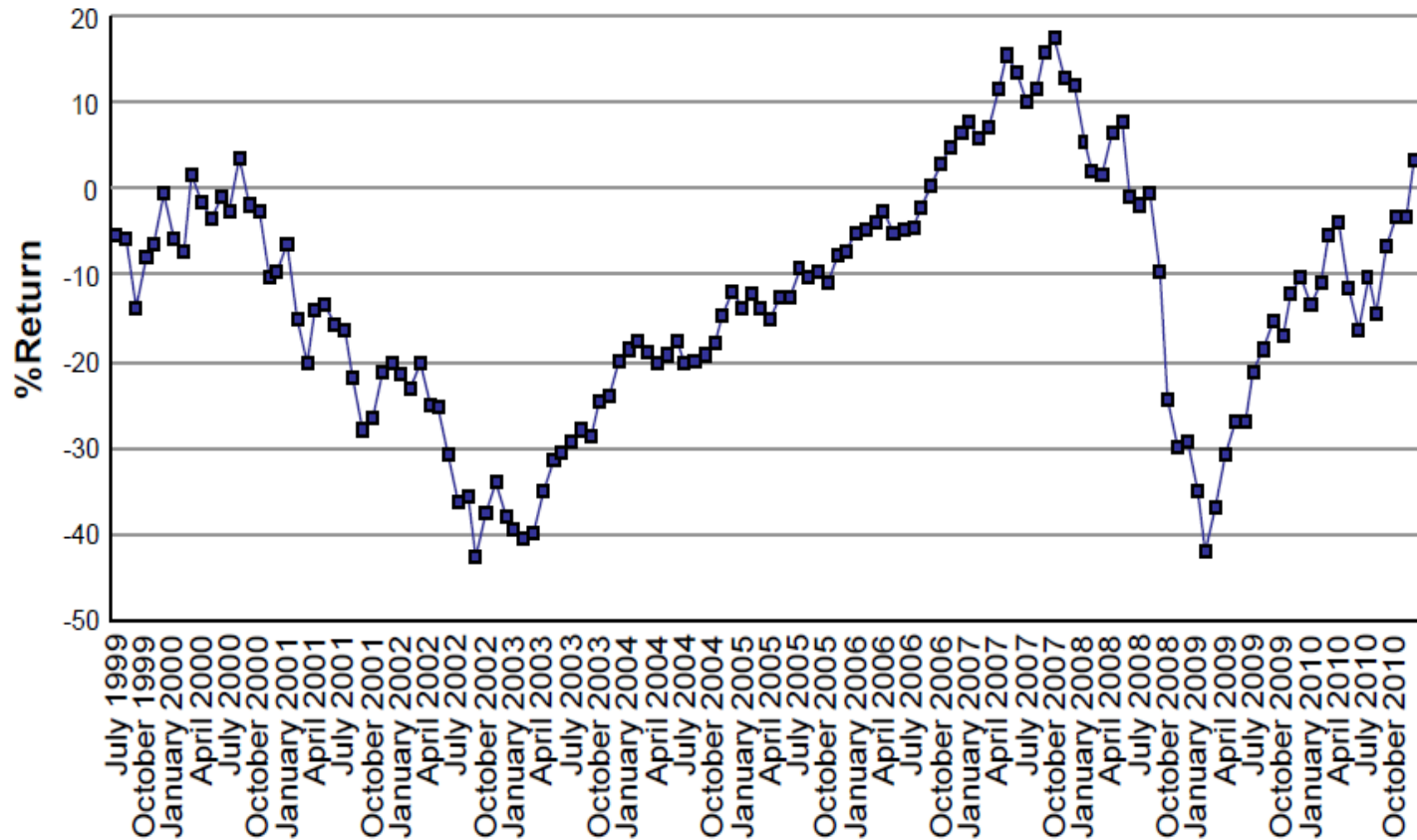
OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



ENDOWMENT PERFORMANCE: S&P 500 LARGE-CAP POOL



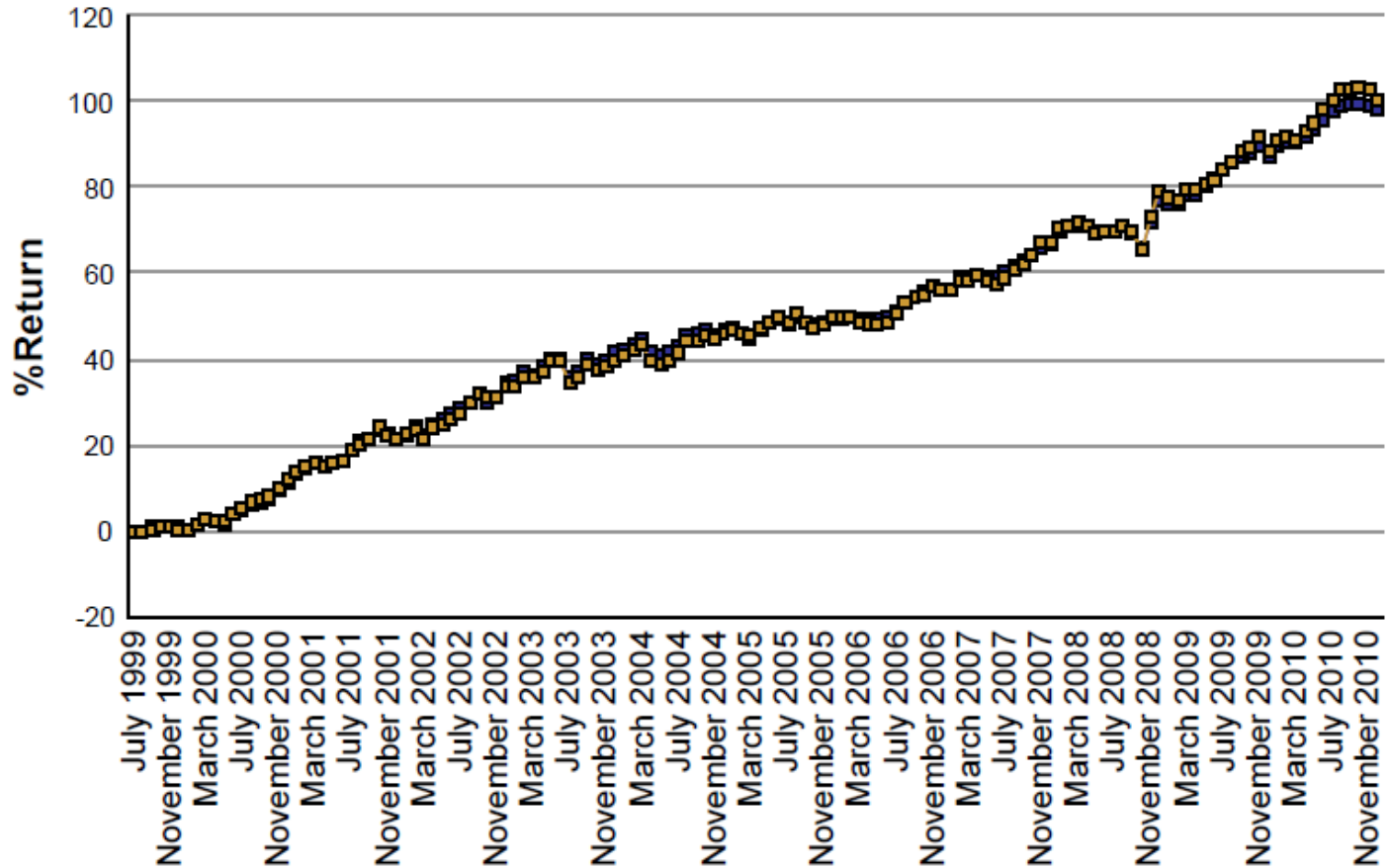
OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



ENDOWMENT PERFORMANCE: FIXED INCOME POOL

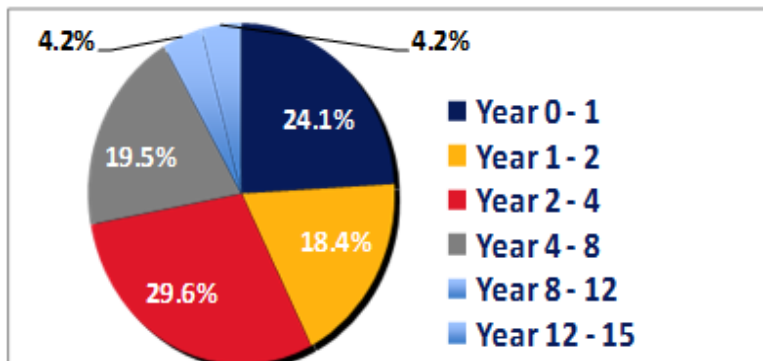


OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY

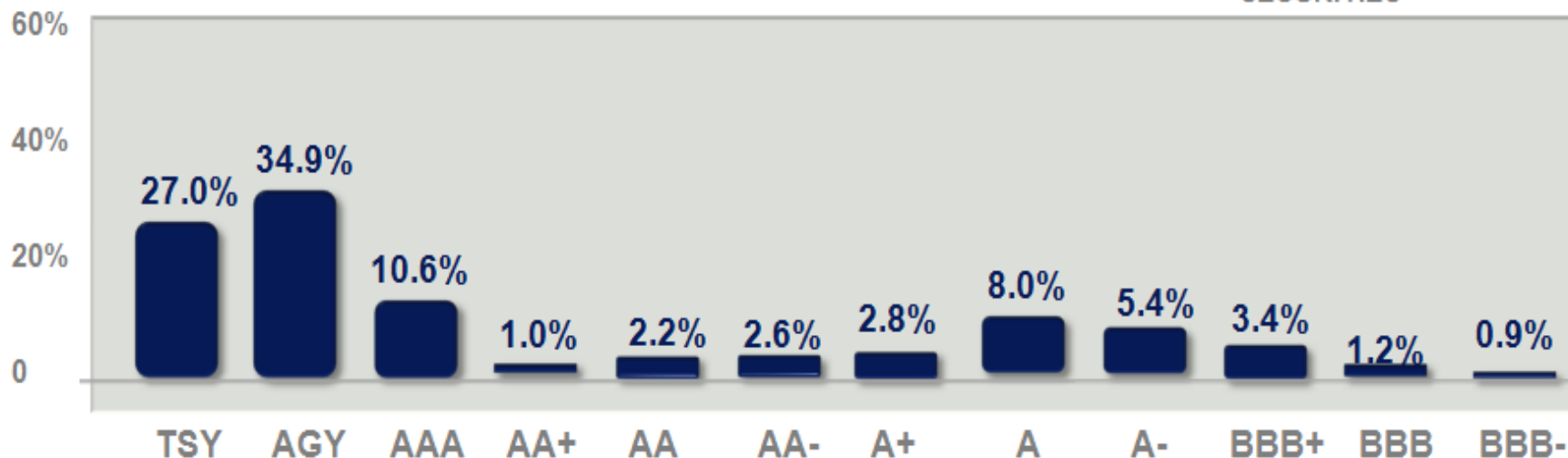
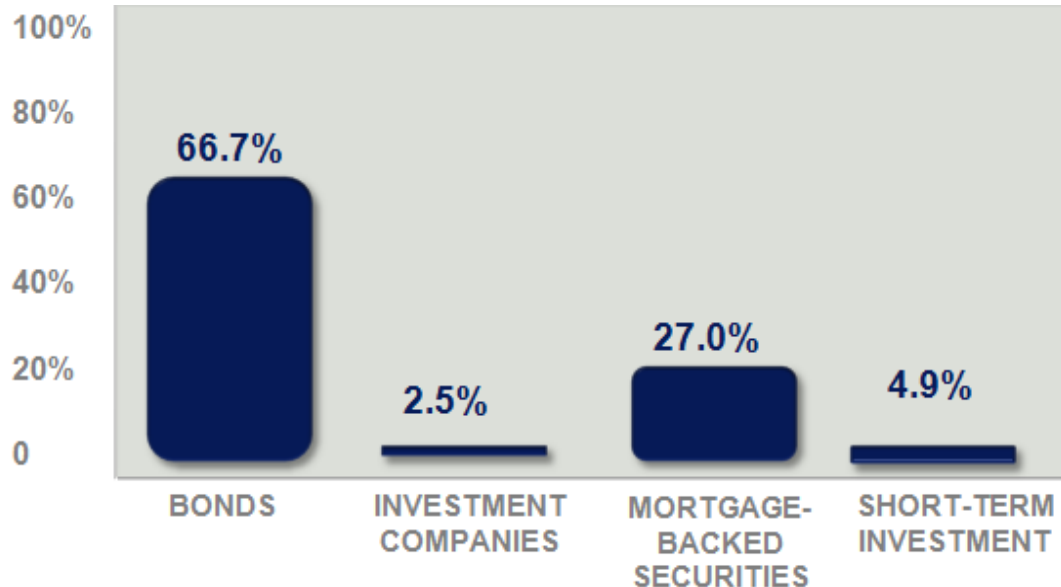


FIXED INCOME PROFILE

DURATION:



ASSET MIX:

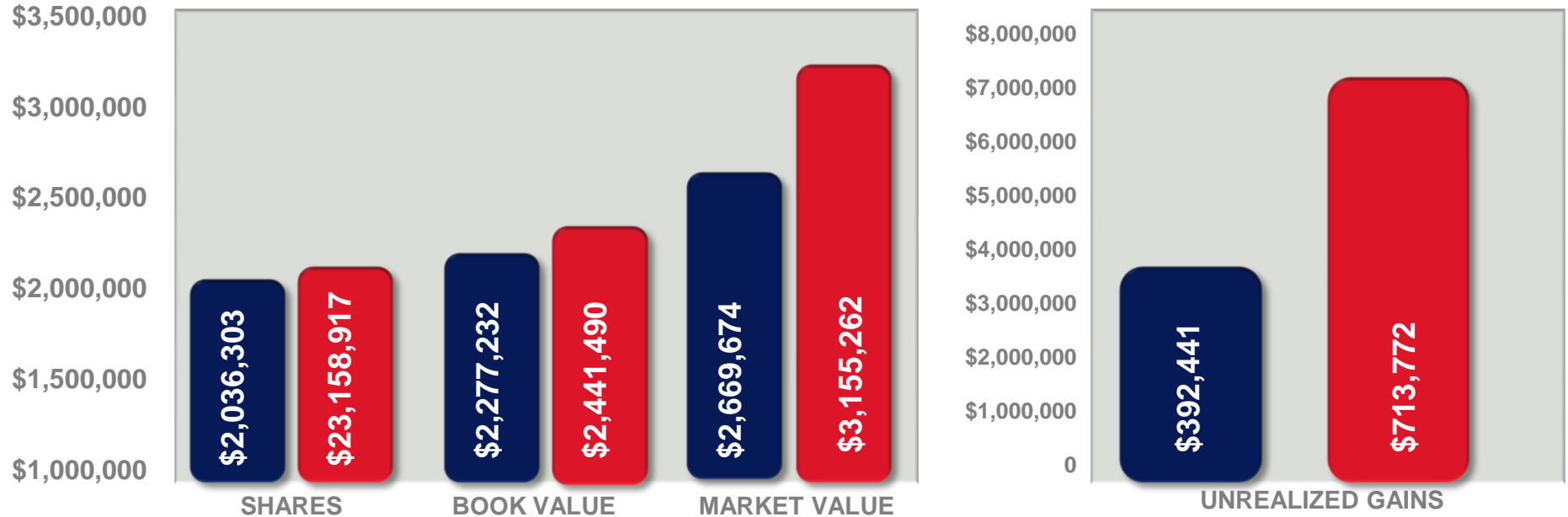


ENDOWMENT FY 11 2ND QUARTER

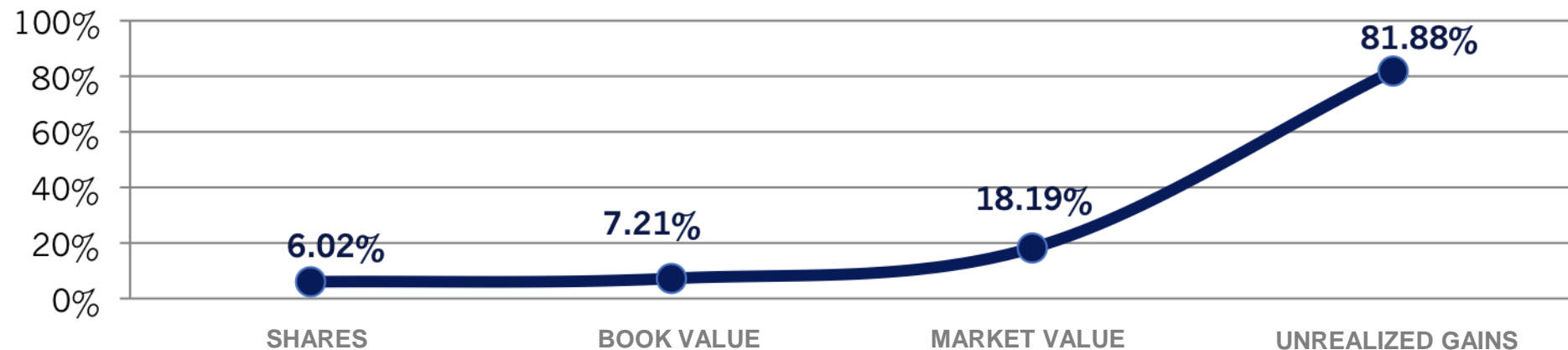
(IN THOUSANDS)

Change since FY 2010 YOY

DEC 09 DEC 10



PERFORMANCE





ARIZONA ECONOMIC UPDATE

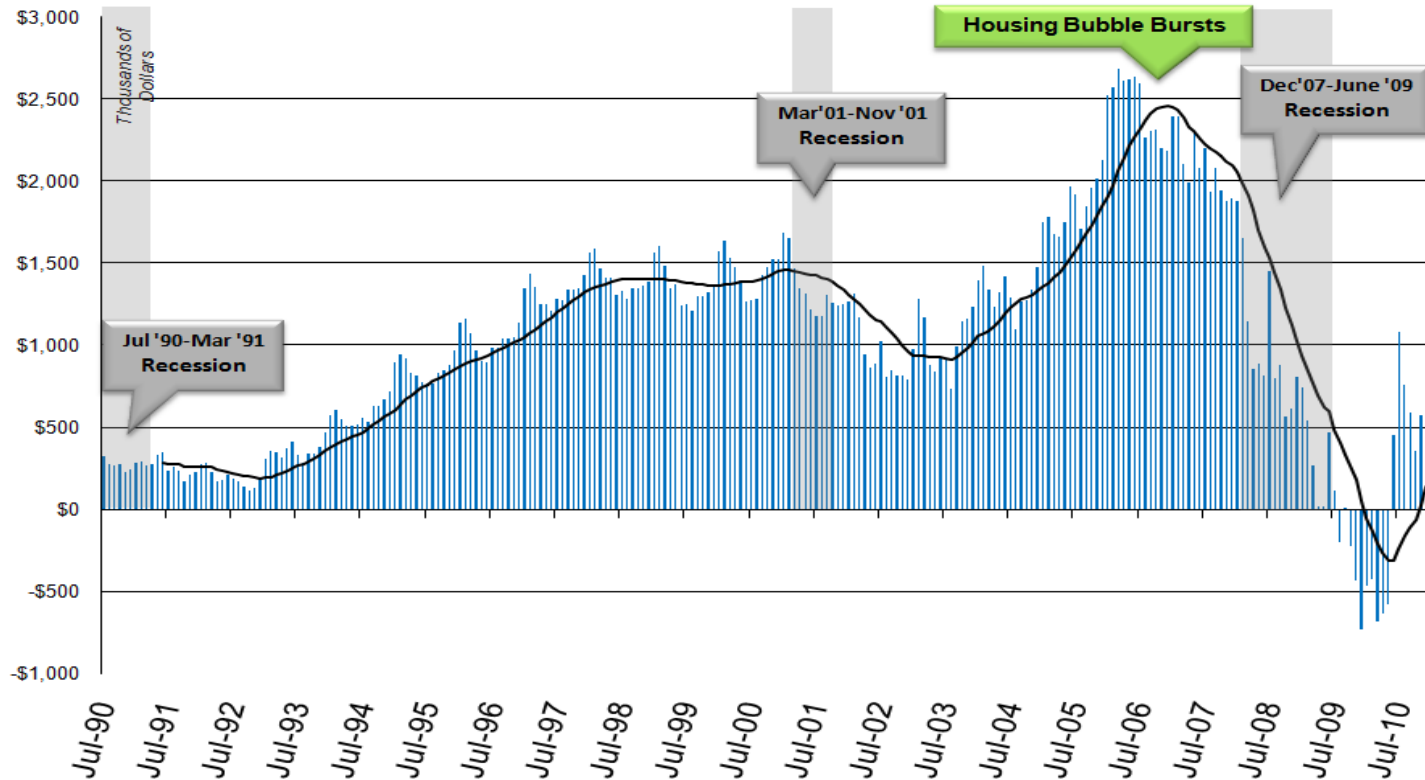


STATE CASH FLOW

Total Operating Account Average Monthly Balance



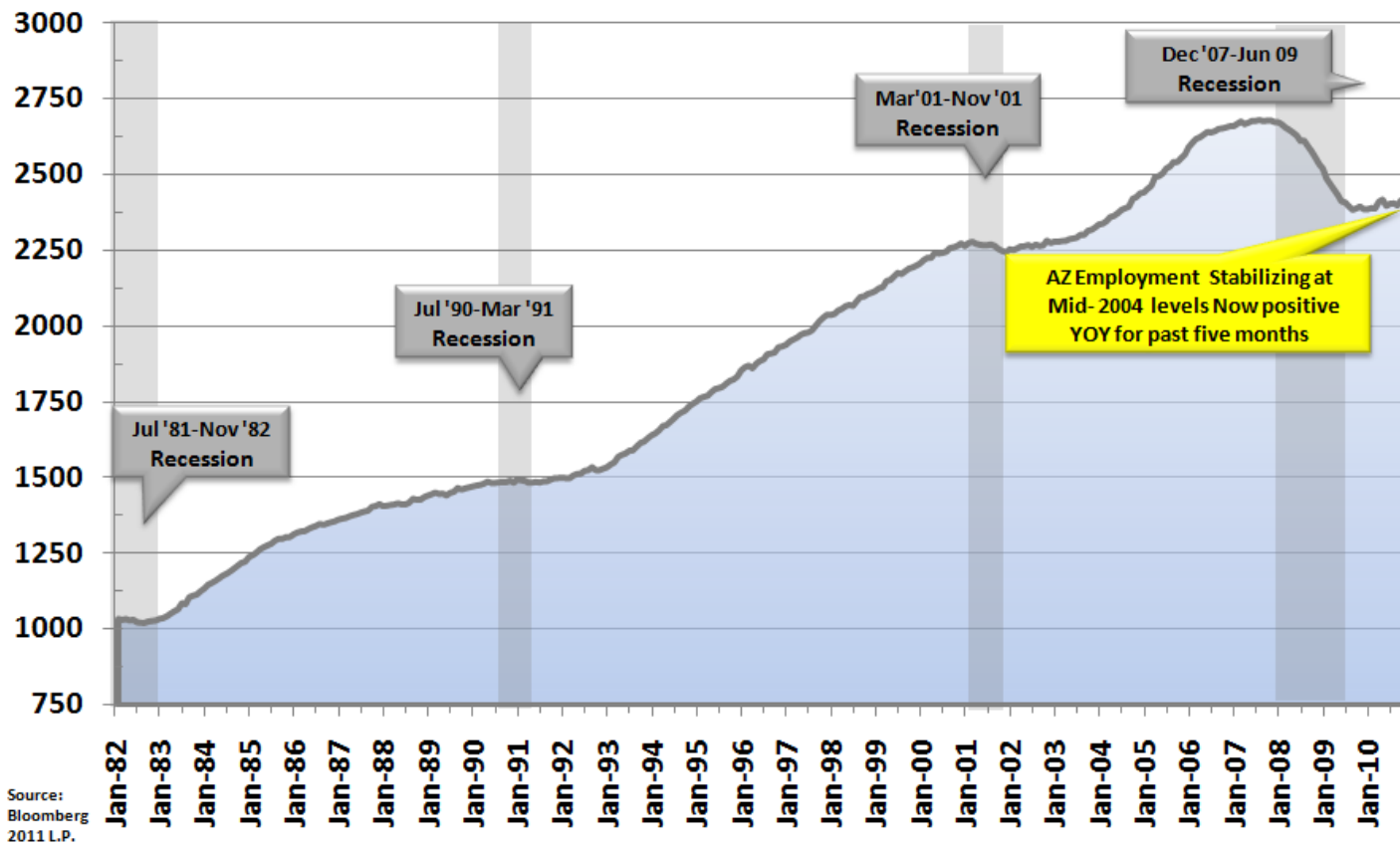
OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



AZ NON-FARM EMPLOYMENT



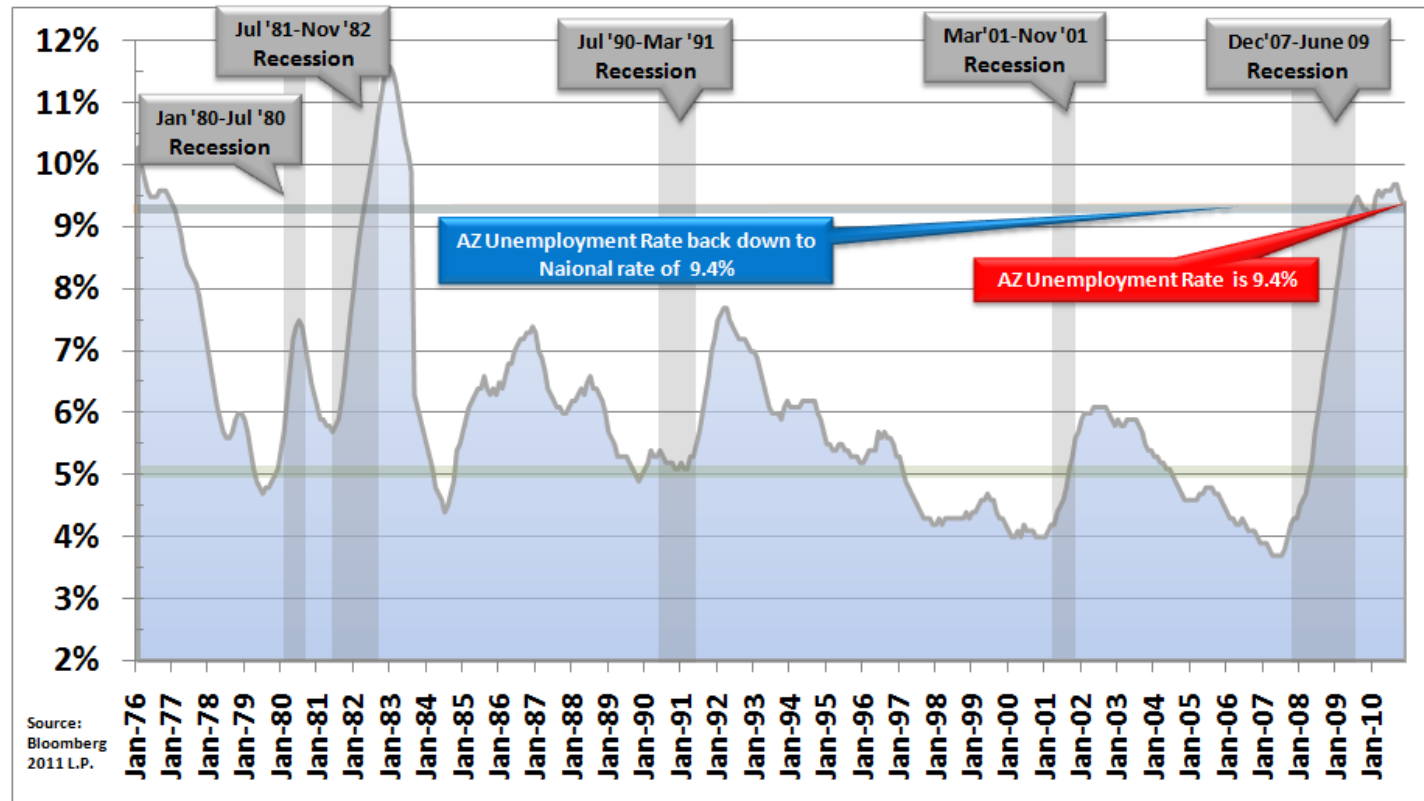
OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



AZ UNEMPLOYMENT AT 9.4%



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY

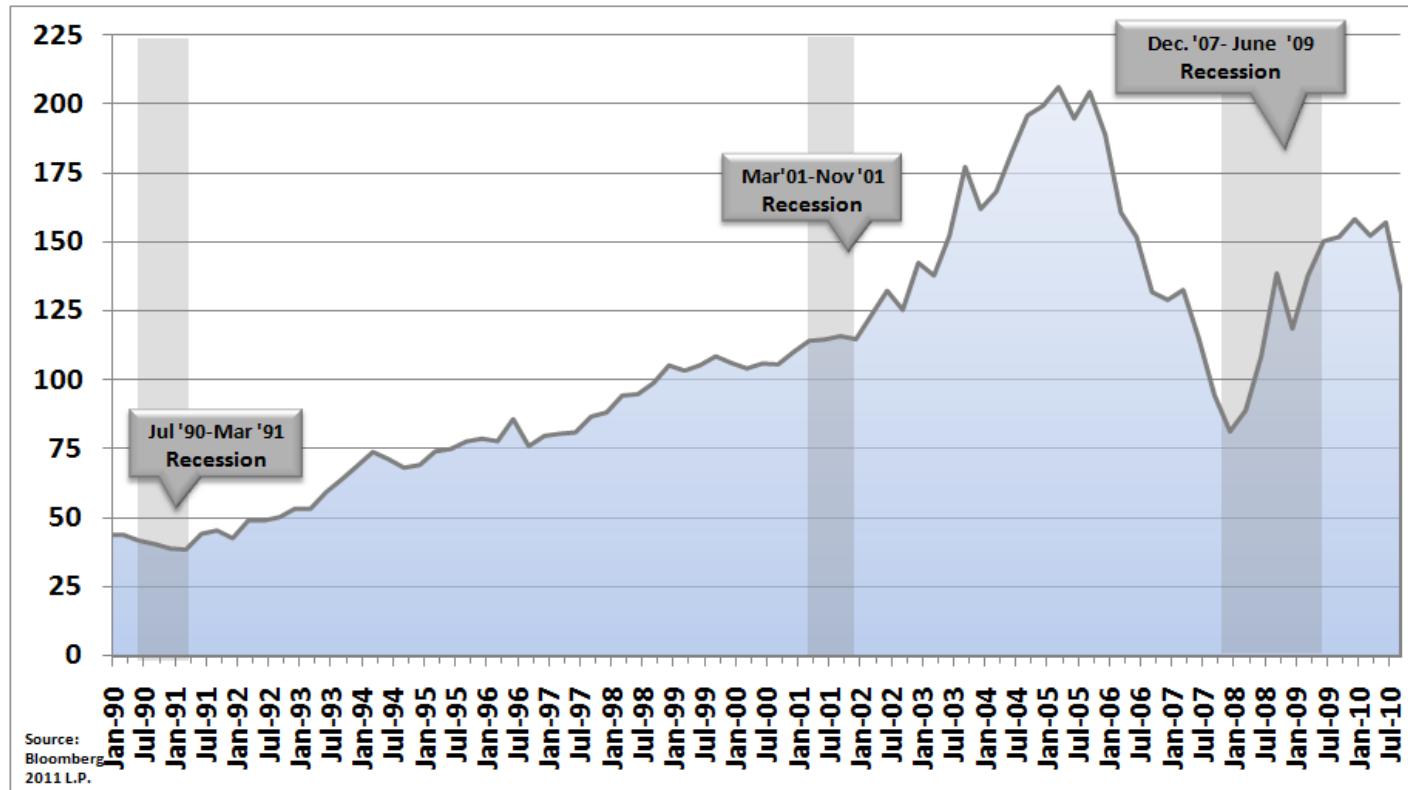


ARIZONA SALES OF EXISTING HOMES

Quarterly Data Jan. 1990 through Sept. 2010



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



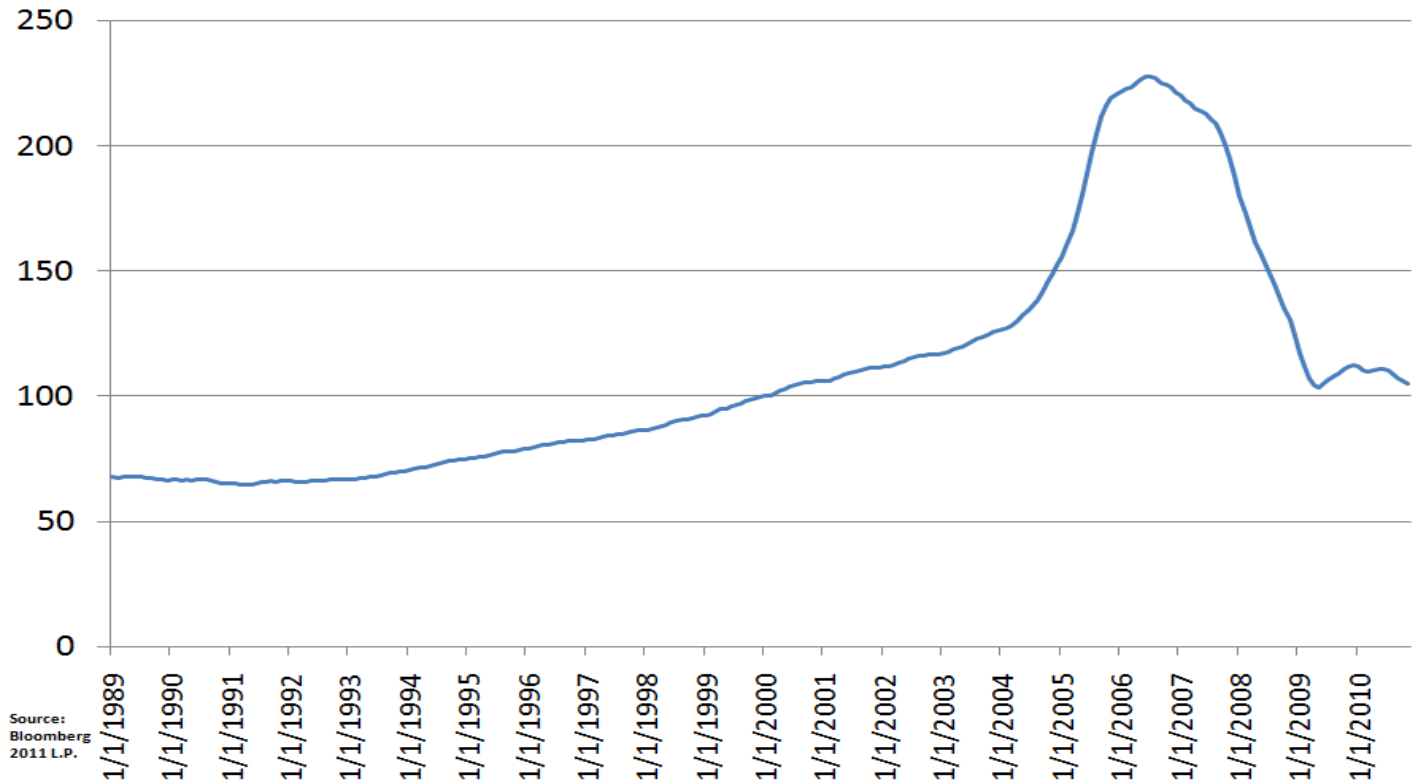
ARIZONA HOUSING PRICES



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY



S & P/Case Schiller Housing Price Index for Phoenix

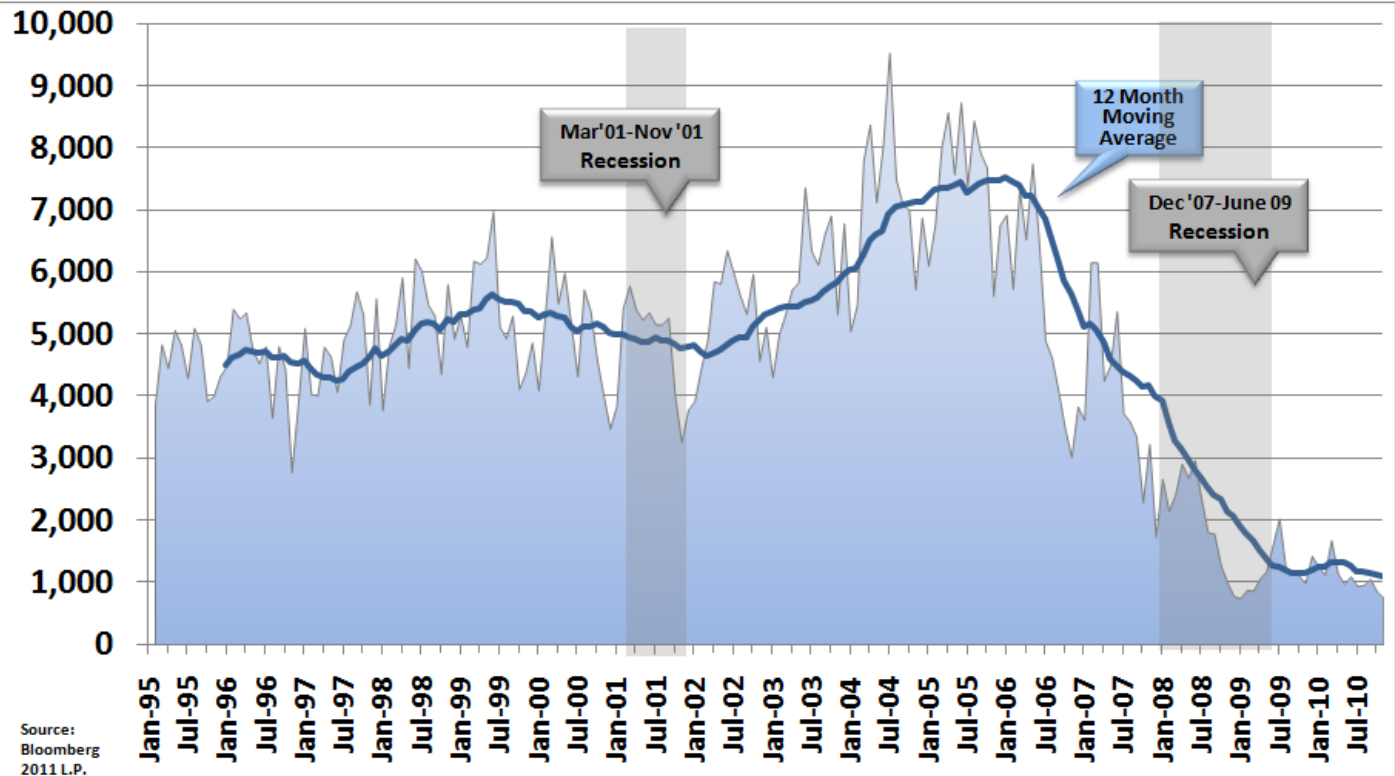


ARIZONA HOUSING PERMITS

Total Monthly Arizona Residential Building Permits
Jan. 1995 to Nov. 2010



OFFICE OF THE
ARIZONA STATE
TREASURER
DOUG DUCEY





SPECIAL ECONOMIC PRESENTATION

JOSEPH P. QUINLAN

**MANAGING DIRECTOR & CHIEF MARKET STRATEGIST
U.S. TRUST, BANK OF AMERICA PRIVATE WEALTH MANAGEMENT**





QUESTIONS?

Please use chat or phone and
remember to *identify yourself*

NEXT MEETING IS MAY 5TH 2011 AT 1:30 P.M.

